Financial Statements of

HALIFAX DARTMOUTH BRIDGE COMMISSION

Year ended March 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Chair and Commissioners of Halifax Harbour Bridges

We have audited the accompanying financial statements of Halifax-Dartmouth Bridge Commission (operating as Halifax Harbour Bridges), which comprise the statement of financial position as at March 31, 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Halifax-Dartmouth Bridge Commission as at March 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP

Chartered Accountants
June 26, 2014
Halifax, Canada

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HALIFAX DARTMOUTH BRIDGE COMMISSION

Statement of Financial Position

March 31, 2014, with comparative figures for 2013
(in thousands of dollars)

		2014		2013
Assets				
Current assets:				
Cash	$	9,270	$	10,025
Receivables		306		339
Prepaid expenses		183		225
		9,759		10,589
Restricted assets (note 5)		15,903		14,017
Property, plant and equipment (note 6)		98,400		92,259
	$	124,062	$	116,865
Liabilities and Equity				
Current liabilities:				
Accounts payable and accrued liabilities (note 7)	$	3,778	$	3,932
Refundable customer transponder amounts		20		20
Deferred revenue		2,935		2,884
Current portion of unearned revenue		103		104
Current portion of line of credit		–		2,000
Current portion of-long-term debt (note 8)		3,000		3,000
		9,836		11,940
Accrued employee future benefits		205		188
Unearned revenue		44		45
Long-term debt (note 8)		39,000		42,000
		49,085		54,173
Equity:				
Reserve for restricted assets		15,903		14,017
Retained earnings		59,074		48,675
		74,977		62,692
	$	124,062	$	116,865

The accompany notes are an integral part of these financial statements.

Approved on behalf of the Commission:

Wayne Mason
Chairman

Vicki Harnish
Vice Chairman

HALIFAX DARTMOUTH BRIDGE COMMISSION

Statement of Comprehensive Income

Year ended March 31, 2014, with comparative figures for 2013
(in thousands of dollars)

	2014	2013
Revenue:		
Toll revenue	$ 31,576	$ 31,892
Other rate revenue	163	163
Other income	368	355
	32,107	32,410
Expenses:		
Operating expenses	6,357	6,181
Maintenance expenses	3,767	4,647
Amortization of property, plant and equipment	7,672	7,809
Loss on disposal of property, plant and equipment	37	19
	17,833	18,656
Operating income	14,274	13,754
Net finance costs (note 9):		
Finance income	(386)	(371)
Finance costs	2,375	2,485
	1,989	2,114
Comprehensive income	$ 12,285	$ 11,640

The accompany notes are an integral part of these financial statements.

HALIFAX DARTMOUTH BRIDGE COMMISSION

Statement of Changes in Equity

Year ended March 31, 2014, with comparative figures for 2013
(in thousands of dollars)

		Restricted Assets				
	Retained earnings	Capital fund	OM fund	Debt service fund	Total restricted	Total equity
Balance, April 1, 2012	$ 38,892	$ 8,021	$ 2,907	$ 1,232	$ 12,160	$ 51,052
Comprehensive income	11,412	177	36	15	228	11,640
Transfers to (from)	(1,629)	1,799	(85)	(85)	1,629	–
Balance, March 31, 2013	48,675	9,997	2,858	1,162	14,017	62,692
Comprehensive income	12,110	124	36	15	175	12,285
Transfers to (from)	(1,711)	1,800	5	(94)	1,711	–
Balance, March 31, 2014	$ 59,074	$ 11,921	$ 2,899	$ 1,083	$ 15,903	$ 74,977

The accompany notes are an integral part of these financial statements.

HALIFAX DARTMOUTH BRIDGE COMMISSION

Statement of Cash Flows

Year ended March 31, 2014, with comparative figures for 2013
(in thousands of dollars)

	2014	2013
Operating activities:		
Net income	$ 12,285	$ 11,640
Amortization of property, plant and equipment	7,672	7,781
Amortization of deferred transponder charges	–	28
Interest expense	2,286	2,444
Investment income	(386)	(371)
Unearned revenue	(2)	(3)
Unrealized loss on investments	89	41
Loss on disposal of property, plant and equipment	37	19
	21,981	21,579
Net change in non-cash working capital balances (note 10)	(28)	1,272
	21,953	22,851
Investing activities:		
Purchase of property, plant and equipment	(13,878)	(12,537)
Proceeds from disposal of property, plant and equipment	28	3
Investment in capital fund	(2,013)	(2,017)
Investment in OM fund	(41)	49
Investment in debt service fund	79	70
Increase in accrued employee future benefits	17	29
Investment income received	388	378
	(15,420)	(14,025)
Financing activities:		
Long-term debt instalment payment	(3,000)	(3,000)
Line of credit payment	(2,000)	–
Interest paid	(2,288)	(2,451)
	(7,288)	(5,451)
Increase (decrease) in cash	(755)	3,375
Cash, beginning of year	10,025	6,650
Cash, end of year	$ 9,270	$ 10,025

The accompany notes are an integral part of these financial statements.

HALIFAX DARTMOUTH BRIDGE COMMISSION

Notes to Financial Statements

Year ended March 31, 2014
(in thousands of dollars)

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1. Reporting entity

The Halifax-Dartmouth Bridge Commission, operating as Halifax Harbour Bridges (HHB) was created in 1950 by a statute of the Province of Nova Scotia (now the Halifax-Dartmouth Bridge Commission Act - Statutes of Nova Scotia, 2005, c.7). HHB's address and principal place of business is 125 Wyse Road, Dartmouth, Nova Scotia, B3A 4K9.

HHB is a self-supporting entity in which the principal business is the operation and maintenance of two toll bridges across the Halifax Harbour; the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge. Under the Halifax-Dartmouth Bridge Commission Act, Section 27 (1) - With the approval of the Governor in Council, HHB may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them. The Government of the Province of Nova Scotia or the Halifax Regional Municipality may request HHB to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project as stipulated under the Halifax-Dartmouth Bridge Commission Act, Section 27 (2).

Under the Halifax-Dartmouth Bridge Commission Act, Section 27 (3) - Any costs incurred by HHB under this Section are expenses of operating the Bridges or a transportation project in respect of which HHB is collecting tolls, fees, rates and other charges.

The audited financial statements were approved by the Board of Commissioners on June XX, 2014.

2. Basis of preparation

(a) Statement of compliance

HHB, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting Standards of the CPA Canada Handbook. Government business enterprises are required to use International Financial Reporting Standards (IFRS) for profit-oriented entities, which is the basis under which these financial statements are prepared.

The financial statements are prepared on a going concern basis and have been presented in Canadian dollars. These Financial Statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee "IFRIC").

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for restricted assets that are measured at fair value through profit and loss.

2. Basis of preparation (continued)

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency for HHB.

(d) Use of estimates and judgments:

The preparation of the HHB's financial statements in conformity with IFRS requires the use of accounting estimates and management's judgment to determine the appropriate application of accounting policies. Estimates and assumptions are required to determine the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to accounting estimates are recognized in the period in which the estimate was revised and any future periods affected.

The following judgments and estimates are those deemed by management to be material to HHB's financial statements:

Judgments

(i) Capitalization and componentization

Judgment is used when determining if components of a construction project are of a capital or repair nature and as to what components constitute a significant cost in relation to the total cost of an asset and whether these components have similar or dissimilar patterns of consumption and useful lives for purposes of calculating depreciation. Among other factors, these judgments are based on past experience, as well as information obtained from HHB's internal and consulting engineers.

(ii) Depreciation and amortization

Judgment is used when determining the estimated useful lives of property, plant and equipment. Among other factors, these judgments are based on past experience, as well as information obtained from HHB's internal and consulting engineers.

Estimates

(i) Depreciation and amortization

Depreciation and amortization are calculated to write off the cost, less estimated residual value, of assets on a systematic and rational basis over their expected useful lives. Estimates of residual value and useful lives are based on past experience, as well as information obtained from HHB's internal and consulting engineers. Expected useful

lives and residual values are reviewed annually for any change to estimates and assumptions.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the period presented in these financial statements.

a) Revenue recognition

HHB recognizes revenue at the time a vehicle crosses a bridge. HHB's bridge toll rates are regulated by the Nova Scotia Utility and Review Board (NSUARB). Customer prepayments of their Electronic Toll Collection (ETC) crossings are initially recorded as deferred revenue. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

b) Finance income and finance costs

Finance income comprises interest income on funds invested and changes in the fair market value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and changes in the fair value of financial assets at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

c) Financial Instruments

Financial assets are classified into one of the following categories: loans and receivables or fair value through profit and loss (FVTPL). Financial liabilities are classified as FVTPL, or as other financial liabilities. All financial instruments are initially recorded at fair value plus, in the case of instruments other than those classified at FVTPL, directly attributable transaction costs. All financial instruments are subsequently measured at fair value expect for loans and receivables, and other financial liabilities that are measured at amortized cost using the effective interest rate method.

The Commission's Financial Instruments are comprised of the following:

Financial instrument	Classification
Cash	Loans and receivables
Receivables	Loans and receivables
Restricted assets	At fair value through profit or loss
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities

3. Significant accounting policies (continued)

(i) Financial assets

HHB initially recognizes loans and receivables and deposits on the date that they originate. All other financial assets (including assets designated at fair value through profit and loss) are recognized initially on the trade date at which the HHB becomes a party to the contractual provisions of the instrument.

HHB derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial assets that is created or retained by HHB is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, HHB has a legal right to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

Financial Assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. HHB manages investments and makes purchase and sale decisions in accordance with provisions contained within HHB's loan agreements with the Province of Nova Scotia. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred.

The OM Fund, Debt Service Fund and Capital Fund are classified as FVTPL. Transaction costs are expensed when incurred. HHB uses publically available quotations provided by major Canadian financial institutions to determine the fair values of HHB's restricted cash and investments.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method over the terms of the related debt, less any impairment cost.

Cash

Cash includes cash on hand and balances with banks. Interest is received on funds in the general bank account at a rate of prime minus 1.75%.

3. Significant accounting policies (continued)

(ii) Financial liabilities

HHB initially recognizes debt securities issued and subordinate liabilities on the date that they originated. All other financial liabilities are recognized initially on the trade date at which HHB becomes a party to the contractual provisions of the instrument.

HHB derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(iii) Other financial liabilities

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Payables, line of credit and long-term debt are classified as other financial liabilities. Direct and indirect costs that are attributable to the issue of other financial liabilities are presented as a reduction from the carry amount of the related debt and are amortized using the effective interest method over the term of the debt. These financial liabilities are deemed to have been issued at prevailing market rates at the date of advance; accordingly no adjustment for fair value has been made.

d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated amortization and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to working condition for its intended use, the cost of dismantling and removing the items and restoring the site on which they are located. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. When funds are temporarily invested pending their expenditure on qualifying assets, any such interest income, earned on such funds is deducted from the borrowing costs incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

3. Significant accounting policies (continued)

Any gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within profit or loss.

(ii) Repairs and maintenance

Repairs and maintenance costs are charged to expense as incurred, except when these repairs significantly extend the life of the asset or result in an operating improvement. In these instances the portion of these repairs relating to the betterment is capitalized as part of plant and equipment.

(iii) Amortization of property, plant & equipment

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

Amortization commences in the year an asset is put in use. Amortization methods, useful lives and residual values are reviewed at each financial year end, based on consultation with HHB's internal and external consulting engineers, and adjusted if appropriate. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

Asset	Rate
Buildings	5 – 40 years
Bridge and bridge components:	
Angus L. MacDonald	5 - 125 years
A. Murray MacKay	5 - 125 years
Electronic toll transponder	7 years
Computer and other equipment	5 - 25 years
Mobile equipment	5 - 10 years
Other assets	2 – 5 years

3. Significant accounting policies (continued)

(e) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to HHB on terms that HHB would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

Receivables are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carry amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carry amounts of HHB's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

An impairment loss is recognized if the carrying amount of the asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

3. Significant accounting policies (continued)

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Application of new and revised standards

IFRS 13, Fair Value Measurement, is a single source of fair value measurement guidance under IFRS. This new IFRS clarifies the definition of fair value, provides a clear framework for measuring fair value, and enhances the disclosures about fair value measurements. IFRS 13 is not only limited to financial instruments, but also applies to fair value measurements in other IFRS, such as impairment and employee future benefits. HHB's financial statements reflect the required disclosures.

(g) New standards and interpretations not adopted

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretation Committee ("IFRIC") issued the following standards that have not been applied in preparing these financial statements as their effective dates fall within annual periods beginning subsequent to the current reporting period. This listing is of standards and interpretations issued which HHB reasonably expects to be applicable at a future date. HHB intends to adopt these standards when they become effective. The extent of the impact of these standards on the financial statements has not been determined.

The IASB has issued IFRS 9, Financial Instruments, which will replace IAS 39, Financial Instruments: Recognition and Measurement, and some of the requirements of IFRS 7, Financial Instrument Disclosures. The date of IFRS 9 becomes effective is still being finalized by the International Accounting Standards Board. The objective of IFRS 9 is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

HHB intends to adopt IFRS 9 but does not expect IFRS 9 to have a material impact of the financial statements.

4. Harmonized sales tax (HST) and income tax status:

As a public sector entity controlled by the Province of Nova Scotia, HHB is not subject to Federal or Provincial income taxes, and is entitled to rebates of the HST it expends on goods and services.

5. Restricted assets

	2014	2013
Capital fund	$ 11,921	$ 9,997
OM fund	2,899	2,858
Debt service fund	1,083	1,162
	$ 15,903	$ 14,017

HHB entered into a long-term loan agreement with the Province of Nova Scotia on July 25, 2007. This agreement requires that HHB maintain two reserve funds effective December 4, 2007, which are the Operating, Maintenance & Administrative Fund (OM Fund) and Debt Service Fund and effective June 4, 2008, a Capital Fund was also established.

Under the terms of the loan agreement, the OM Fund must be maintained at an amount at least equal to 25% of the annual budgeted OM expenses for the following year. This fund can only be used to pay OM expenses, although any amount in the fund in excess of the required balance can be transferred to HHB's unrestricted accounts. At March 31, 2014 the OM Fund was held in a GIC with a rate of 1.25%, maturing March 28, 2015 and had a market value of $2,899 (2013 - $2,858).

Under the terms of the loan agreement, the Debt Service Fund must be maintained at an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness. This fund can only be used to pay principal, interest, and fees, although any amount in the fund in excess of the required balance can be transferred to HHB's unrestricted accounts. At March 31, 2014 the Debt Service Fund was held in a GIC with a rate of 1.25%, maturing March 28, 2015 and had a market value of $1,083 (2013 - $1,162).

Under the terms of the loan agreement, HHB established and deposited a minimum of $900 to a Capital Fund commencing June 4, 2008 and every six months thereafter for the duration of the loan. This fund can only be used to pay amounts owing in respect of the principal or interest on the long-term loan, or for the maintenance of, or improvements to, the bridges. At March 31, 2014, the Capital Fund, held by the Province of Nova Scotia, had a market value of $11,921 (2013 - $9,997) and was invested in various provincial bonds maturing in 2014 and 2015 with annual yields of 1.25% to 10.00%.

6. Property, plant and equipment

Cost	Land	Buildings	Bridge ALM	Bridge AMM	ETC	Other	Comp Equip.	Mobile Equip.	Construction in Progress	Total
Balance, March 31, 2013	$ 9,184	$ 4,334	$ 71,017	$ 40,101	$ 5,299	$ 12,784	$ 9,220	$ 1,748	$ 15,329	$ 169,016
Additions	-	1,316	1,662	823	174	1,556	214	188	16,418	22,351
Retirements	-	-	-	-	(21)	(24)	(135)	(95)	-	(275)
Transfers	-	-	-	326		(326)	-	-	(8,473)	(8,473)
	$ 9,184	$ 5,650	$ 72,679	$ 41,250	$ 5,452	$ 13,990	$ 9,299	$ 1,841	$ 23,274	$ 182,619

Accumulated amortization	Land	Buildings	Bridge ALM	Bridge AMM	ETC	Other	Comp Equip.	Mobile Equip.	Construction in Progress	Total
Balance, March 31, 2013	$ -	$ 2,110	$ 41,217	$ 19,951	$ 3,240	$ 3,136	$ 6,007	$ 1,096	$ -	$ 76,757
Amortization expense	-	148	3,224	1,474	444	1,173	1,054	155	-	7,672
Adjustment	-	-	-	-	2	-	1	-	-	3
Retirements	-	-	-	-	-	(21)	(97)	(95)	-	(213)
Balance, March 31, 2014	$ -	$ 2,258	$ 44,441	$ 21,425	$ 3,686	$ 4,288	$ 6,965	$ 1,156	$ -	$ 84,219
Carrying amounts										
Balance, March 31, 2013	$ 9,184	$ 2,224	$ 29,800	$ 20,150	$ 2,059	$ 9,648	$ 3,213	$ 652	$ 15,329	$ 92,259
Balance, March 31, 2014	$ 9,184	$ 3,392	$ 28,238	$ 19,825	$ 1,766	$ 9,702	$ 2,334	$ 685	$ 23,274	$ 98,400

7. Accounts payable and accrued liabilities

	2014	2013
Trade payables	$ 1,647	$ 2,377
Accrued expenses	744	405
Project holdbacks	619	328
Accrued liabilities	768	822
	$ 3,778	$ 3,932

8. Long-term debt

	2014	2013
Long-term debt	$ 42,000	$ 45,000
Less: current portion	(3,000)	(3,000)
	$ 39,000	$ 42,000

HHB has a $60M, long-term loan with the Province of Nova Scotia. The loan agreement requires annual principle payments of $3M, plus interest, with a final principle payment of $27M, along with all accrued and unpaid interest thereon due on the final maturity date of December 4, 2019. Interest is paid semi-annually on July 4th and December 4th of each year. The average interest rate over the life of the loan is 5.13%. This debt is unsecured.

HHB has access to a $60M revolving, unsecured line of credit with the Province of Nova Scotia. As at March 31, 2014, the balance of this facility was $nil (2013 - $2,000). The interest rate is equal to the arithmetical average of the discount rates on CDOR Banker's Acceptances applicable on the date of the requested advance with interest payable on maturity. As at March 31, 2014, no advances were outstanding.

HHB also has a $5,000 operating loan facility with a chartered bank which bears interest at prime rate minus 0.5% per year. The operating facility is subject to annual review and is unsecured. As at March 31, 2014 and 2013, no advances were outstanding.

9. Finance income and finance cost

	2014	2013
Interest income on restricted assets	$ (263)	$ (269)
Investment income	(123)	(102)
Finance income	(386)	(371)
Interest expense on long-term debt	2,268	2,417
Interest on line of credit	18	27
Unrealized loss on investments	89	41
Finance cost	2,375	2,485
Net finance cost recognized in profit or loss	$ 1,989	$ 2,114

10. Net change in non-cash operating balances

	2014	2013
Decrease (increase) in accounts receivable	$ 33	$ 259
Increase in prepaid expenses	42	(19)
Increase (decrease) in accounts payable and accrued liabilities	(154)	903
Deferred revenue	51	129
Net change	$ (28)	$ 1,272

11. Financial risk management

The Commission has exposure to the following risks from its use of financial instruments:

- Credit risk
- Interest rate risk
- Liquidity risk

a) Credit risk

HHB provides credit to its customers in the normal course of its operations. In order to reduce its credit risk, HHB has adopted credit policies including the monitoring of its customer accounts. HHB does not have a significant exposure to any individual customer or counterpart.

11. Financial risk management (continued)

b) Interest rate risk

The long-term debt bears fixed interest rates and consequently, the interest rate risk exposure is minimal. The Province of Nova Scotia line of credit bears interest on the date of advance as per note 8 and consequently will fluctuate based on the rates in effect at the date of advance.

c) Liquidity risk

HHB is exposed to liquidity risk arising primarily from its long-term debt with the Province of Nova Scotia which requires a balloon principal repayment of $27,000 on December 4, 2019. HHB is required to contribute $900 every six months towards a capital fund which can be used to repay principal and interest on the debt. HHB believes the establishment and continued growth of this capital fund partially offsets the risk associated with the future balloon payment. In addition HHB has considered the current repayment terms of this debt as part of its assessment of the financing that will be required to complete the re-decking project of the Angus L. MacDonald Bridge. Further, HHB maintains an optimal level of liquidity through maximizing cash flows by actively pursuing the collection of its trade receivables and by controlling the level of operating and capital expenditures.

HHB's cash and restricted investments are invested in highly-liquid interest-bearing investments.

12. Capital management

HHB's objective when managing capital is to ensure there is adequate cash flow on hand to meet its operational and capital expenditure requirements.

HHB regularly reviews its projected future toll revenues in conjunction with its current cash position and borrowing ability in order to finance significant future projects that are required to upgrade and maintain its property, plant and equipment. There were no changes to HHB's approach to capital management during the year.

13. Related party transactions

As a provincially controlled public sector entity, HHB is considered to be related to the Province of Nova Scotia. HHB is also related to the Halifax Regional Municipality (HRM).

HHB has applied the modified disclosure requirements under IAS 24, Related Party Disclosures, which exempt government-related entities from providing all of the disclosure about related party transactions with government or other government-related entities.

HHB has a long-term loan for $60M from the Province of Nova Scotia. Interest on the long-term debt for the period ended March 31, 2014 was $2,268 (2013 - $2,417), of which $694 (2013 - $742) was payable at year-end.

HHB has a $60M revolving, unsecured line of credit from the Province of Nova Scotia. HHB paid off the advance totaling $2,000 against the line of credit on December 3, 2013.

HHB collects toll revenue from the province and HRM and makes purchases from HRM in the normal course of business.

14. Pension plans

HHB sponsors a defined contribution pension plan for all permanent employees. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

HHB recognized an expense of $155 for the year ended March 31, 2014 (2013 - $149). No future contributions are required in respect of past service at March 31, 2014.

15. Accrued employee future benefits

HHB's policy is that all employees whose age and years of service total 80 or more, or who become disabled at any age, will be paid a retirement benefit equal to one month's salary for their first ten years of service, plus one month's salary for each additional five full years of service. The benefit is based on the salary in effect at the time of retirement. HHB has recorded a liability of $206 in retirement benefits at March 31, 2014 (2013 - $188). A total of $18 (2013 - $29) was allocated to operating and maintenance expenses for the period.

HHB's retiring allowance program is unfunded and benefits are based on length of service and final earnings, as per the criteria described in the preceding paragraph.

A summary of principal retirement allowance benefits expense and disclosure information, for the current fiscal year follows. Actuarial measurements are as of March 31, 2014.

Components of benefit cost		2014		2013
Current service cost	$	14	$	11
Interest cost		8		8
Actuarial loss (gain) on accrued benefit obligation		(4)		21
Total benefit cost recognized in the period	$	18	$	40

Components of benefit cost		2014		2013
Accrued benefit obligation at end of prior period	$	188	$	159
Current service cost		14		11
Interest cost		8		7
Benefits paid		–		(10)
Actuarial loss (gain) on accrued benefit obligation		(4)		21
Total benefit cost recognized in the period	$	206	$	188

Amounts recognized in the statement of financial position		2014		2013
Accrued benefit obligation	$	(206)	$	(188)
Fair value of programs assets		–		
Excess (deficit)		(206)		(188)
Unamortized unvested past service costs (credits)		–		
Unamortized net actuarial loss (gain)		–		
Net liability	$	(206)	$	(188)

15. Accrued employee future benefits (continued)

Weighted average assumptions for expense	2014	2013
Discount rate	4.00%	4.80%
Rate of compensation increase	2.50%	2.50%
Rate of price inflation	2.50%	2.50%

Weighted average assumptions to determine benefit obligations	2014	2013
Discount rate	4.20%	4.00%
Rate of compensation increase	2.50%	2.50%
Rate of price inflation	2.50%	2.50%

16. Fair value measurement

The fair value of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	March 31, 2014				March 31, 2013			
	Carrying amount	Fair value Level 1	Level 2	Level 3	Carrying value	Fair value Level 1	Level 2	Level 3
Assets								
Cash	$ 9,270	$ 9,270	$ –	$ –	$ 10,025	$ 10,025	$ –	$ –
Receivables	306	–	306	–	338	–	338	–
Restricted assets	15,903	15,903	–	–	14,017	14,017	–	–
Liabilities								
Trade and other payables	3,778	–	3,778	–	3,932	–	3,932	–

There have been no transfers between the levels within the year. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

17. Commitments

HHB has entered into contracts for the 2015 fiscal year for the continued maintenance and capital improvement of the bridges in the amount of $4.1M.

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Contract obligations	$ 3,082	$ 951	$ 50	$ 50	$ 4